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Testimony

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Mr. Chairman, members of the Committee, I would like to thank you all for holding this hearing today. To all the members of Congress, and in particular to our Louisiana delegation, thank you for all of your hard work to help us in this time of need. I would also like to take a moment to thank the American people for the compassion, support and generosity they have shown our city over the last few weeks. The outpouring from private citizens and corporations all over this country has been remarkable. When I walk through our streets, I see firefighters from Pennsylvania, nurses from Missouri, and pastors from California. I am humbled by the humanity of this great nation and grateful for the sacrifices so many have made for the entire Gulf region.

I am here today because America's most unique city needs your help now more than ever. As you know, on August 29, 2005, Katrina, the most powerful Category 4 hurricane to hit the region, devastated New Orleans, causing unimaginable damage and breaching the levees that protect our city. The storm forced hundreds of thousands of people to flee, flooded thousands of homes and decimated many lives. The people of our city are resilient and self-sufficient, but this disaster is too large for us to fix alone. We need your help to bring New Orleans back, not just for the nearly half a million people who call the city home, but indeed for the well being of our nation.

Americans know New Orleans as a cultural mecca. Our mélange of French, Spanish, African and Caribbean heritage is part of what makes us a unique treasure. We are one of the few American cities to have lived under seven flags. This cultural mix is worth preserving as it parallels the foundation of our country's heritage and embodies the very spirit of what we call America.

Our eclectic and rich mix of architecture, from shotgun and camelback styled-homes to Greek Revival mansions, makes New Orleans a living museum. Music flows through our city, resonating from jazz clubs to brass bands as parades through our streets create a moving orchestra of life. Our Cajun and Creole cuisine, cooked in award-winning restaurants by master chefs and in homes throughout the Crescent City, entices appetites from around the world. Mardi Gras, the greatest free show on earth, is a deeply ingrained cultural celebration as well as one of the most popular tourist destinations in our country.

However, our city is not merely a tourist attraction or a picturesque anachronism. New Orleans is the reason Thomas Jefferson made the Louisiana Purchase – he knew the importance of New Orleans to the growth and prosperity of our young nation. Today, our city remains a vital contributor to this nation's economy and to the American way of life.

New Orleans is surrounded by the great waters of the United States. Our strategic location at the mouth of the Mississippi, the longest river in the country, coupled with access to an extensive inland waterway system, makes New Orleans a natural economic hub. The river transports a significant percentage of the nation's oil, natural gas, refined petroleum products and petrochemicals. The Port of New Orleans is America's only deepwater port with access to six class-one rail lines, enabling swift and economical distribution of goods throughout the country. We are the top importer of steel, natural rubber and plywood, and one of the leading importers of coffee.

A third of all seafood harvested in U.S. waters comes directly from Louisiana. In addition, many of New Orleans' exports are the cornerstone of the Midwest agricultural economy and positively impact the nation's trade balance.

Moreover, our geographic position at one of the nation's critical access points makes us a natural location for defense, particularly with terrorism as a continued threat to our homeland security. The Department of Homeland Security has designated our port as a Port of National Significance, and the Department of Defense recently reaffirmed New Orleans' strategic importance by agreeing to keep the Naval Support Activity in our city open.

While the waters surrounding New Orleans provide our lifeblood, they also threaten our very existence. A system of levees and pumps protects this city nestled in the crescent of the Mississippi River and extending north to the banks of Lake Pontchartrain. Although these systems ordinarily meet the water challenges facing the city, Hurricanes Katrina and Rita were extraordinary events that have changed life in New Orleans forever.

Katrina, the "perfect storm," turned our region into the worst disaster area known to this country in modern times. In addition to the physical devastation of the storm, Katrina decimated our region's economy and severely affected the nation. Rita further hampered recovery efforts with its second blow to the region.

New Orleans accounts for approximately one third of the state's revenue. The nation's gas prices show what extreme effects even minimal damage to refineries can have. With this critical region essentially out of commission, our entire country is feeling the impact. The challenge before us is how to build a stronger, better New Orleans, which is vital to both the economy of Louisiana and to that of the United States of America.

My vision to rebuild New Orleans is multi-pronged and involves all levels of citizenry, the private sector and government.

Only with a plan to improve our critical levee and flood control systems can we expect citizens to come back and businesses to reinvest on a large scale. We need Congress's help in a combination of structural and non-structural flood control measures. The top priority for New Orleans is securing a commitment now to upgrade our levees and floodwalls to withstand a Category 5 storm. This entails immediate assistance to repair and strengthen the levees and floodwalls to protect against a Category 3 storm, followed by the upgrade to Category 5 protection.

But levees and floodwalls alone will not solve this problem. Drainage is an essential part of the flood control equation. The Southeast Louisiana Flood Control Project (SELA), our primary drainage enhancement program, must be expedited and completed as soon as possible so that the benefits can be realized as we rebuild the city.

Our water and sanitation system infrastructure was badly damaged by Katrina. They need to be renovated or replaced in order to continue providing our citizens with safe drinking water and a healthy environment.

Another crucial component to our infrastructure needs lies outside Orleans Parish. A comprehensive plan to protect our city and the nation's investment in our region includes rebuilding the marshlands of southeast Louisiana. Wetlands act as a natural buffer between this part of the United States and the Gulf of Mexico, reducing potential flooding and protecting southeast Louisiana from devastating storm surge. Local, state and federal coordination on this issue is essential.

Although there is a lot of work involved in the recovery effort, to ensure that this nation's investment in the region has maximum lasting impact, aid must be delivered to the areas that need it most. I urge you to establish a minimum funding formula that is based upon the number of people displaced or affected and the number of buildings or residences either flooded or damaged.

We also need to ensure that local workers and businesses have an opportunity to be a part of the rebuilding process. An initial investment can pay off multiple times for our nation if we invest in the people who will continue to reinvest in the local economy.

To bring New Orleans back, we must also revitalize our business climate with tax breaks to help stimulate re-investment and economic development.

Therefore, I am asking for the establishment of the New Orleans/Katrina Tax Recovery and Jobs Incentive Zone that would give people a 50 percent credit on their taxable wages. This zone would cover the entire city, along with other similarly affected areas, and would consist of several main components:

- The credit would be capped at \$50,000 for single tax payers and \$100,000 for joint returns.
- Employers would also receive a 50 percent income tax credit based on their total payroll for all employees who live and work in the zone. Credits would not carry back or carry forward for sales to third parties.
- There would also be an income tax free zone within these areas for any manufacturing companies creating jobs and adding value to any of the top five raw materials (coffee beans, steel, raw metals, rubber and plywood) imported through the Port of New Orleans with a focus on advanced robotic utilization. The same tax free zone would also be created for medical research, clinical trials, pharmaceutical manufacturing, and related patent development.
- To ensure that we bring back businesses and individuals who were forced to relocate, we need a full Relocation Tax Credit that should be allowed for uncompensated expenses incurred in relocating individuals or businesses to their location prior to the storm. Relocation expenses should include those related to leases of temporary facilities, along with everyday expenses such as lodging incurred on behalf of employees. The credit

should apply for both the regular and minimum tax and be eligible to carry back for three years and forward 20 years.

These incentives would last for seven years, or until the population in the target areas reaches pre-Katrina levels, whichever comes first.

We must also help critical institutions such as universities and hospitals to survive. With little or no current income, they need immediate “bridge” assistance to function in the short term. We must prevent the loss of key personnel and brainpower for their long-term survival.

Our City government knows the uphill battle local businesses, institutions and workers face, because we too face difficult decisions as we continue operating. The City is in the process of laying off approximately 50 percent of our workforce, about 3,000 people, because of a total loss of revenue streams. The Stafford Act must be amended so governments facing crises of this magnitude have more flexibility to pay workers. In a city with a smaller tax base, essential services must still be performed. Without federal help, New Orleans could be forced to lay off even more City staff, including police, fire and other first responders, further compromising our recovery efforts.

While the Community Disaster Loan Act of 2005 will allow the city to begin to address our financial needs, I remain concerned that restrictions imposed by Congress will make it difficult for the city to fully respond to the challenges facing us. The Act did not waive restrictions limiting loan authority to 25 percent of our revenue, and the Act takes away the authority of the President to forgive the loans if a local government cannot repay. Repealing the authority of the President to waive repayment of loans burdens our government with additional debt that will retard our recovery efforts. The Stafford Act must be fixed.

While our “Federal City” project highly impressed the Base Realignment and Closure commission, financial challenges in this post-Katrina environment will inhibit our ability to meet our obligation to provide a new facility. However, the base realignment and retention will be a significant building block as we bring New Orleans back, providing much-needed jobs and investment. We need Congress’ help to make the Federal City effort a reality.

Transportation repairs and restoration are yet another crucial aspect to recovery. Our transit system suffered heavy losses of busses, rail and associated infrastructure that will require federal assistance to repair and replace. Without restoration of these transportation systems, our recovery efforts will be severely impacted. A light rail system linking Louis Armstrong International Airport, New Orleans and Baton Rouge would provide another needed tool for the rapid evacuation of thousands of people in the event of another major storm, and for rebuilding the regional economy.

Our airport demonstrated its strategic and economic importance to the region, linking our city with the rest of the world. Just after the storm, New Orleans International Airport was one of the only means of ferrying supplies, needed personnel and relief into the city. It served as a hospital and evacuation center for critically injured citizens and was a major staging area for relief. It was a communications centers for liaison with the rest of the world. Restoration of operations at the

airport to its pre-Katrina service levels will be one of the most important means of reviving our economy as the city recovers from the storm.

A central pillar to retaining our city's unique heritage is our citizens and their homes. There must be comprehensive programs to help displaced homeowners and renters alike as we rebuild, retaining the varied architecture that defines our city. We must incorporate historical elements in new housing, as successful developments in New Orleans have done in the recent past. In addition, this is a prime opportunity for all levels of government to encourage homeownership. For many citizens, the dream of owning their own home could be within reach if funds are targeted for this purpose. Homeowners help bring new stability to neighborhoods and whole regions.

In anticipation of the foregoing, we are already moving to bring New Orleans back. The foundation of this effort is a 17-member commission I appointed to draft a master plan for rebuilding the city. The representatives on the Bring New Orleans Back Commission will work with hundreds of committee members, both residents in the city and people displaced by the storm, to draft a detailed recovery plan. I have charged this commission with a weighty task, but I am confident that members are up to the challenge. Each was chosen to enrich the scope of voices necessary to rebuild our diverse city. Co-chairs Mel Lagarde, a successful investor and entrepreneur, and Barbara Major, a community activist and advocate for the poor, are representative of the types of input we need to be successful.

By the end of the year, the commission will develop a blueprint for New Orleans' recovery. However, we are facing a critical point when businesses and residents are making life-altering decisions about whether to stay in the area. Recently, we sponsored a Back to Business Workshop in conjunction with the Department of Homeland Security to help local companies become more involved in the building process, but our city needs an immediate infusion of resources and tax incentives to encourage growth. I am encouraged by President Bush's promise of federal assistance for locally directed projects because I truly believe the best people to rebuild New Orleans and Louisiana are the people who call the area home. This mayoral administration's track record shows our understanding of the responsibility that will accompany significant federal aid and our commitment to spending every penny wisely and in a manner that is in the best interests of all Americans.

In closing, I would like to remind the committee of the ten critical areas I have addressed today:

- Building flood control measures to protect against a Category 5 hurricane
- Repairing or replacing our water and sanitation system infrastructure
- Rebuilding the marshlands of Southeast Louisiana
- Establishing a minimum funding formula
- Ensuring that local workers and businesses have an opportunity to participate in the rebuilding of New Orleans
- Revitalizing the business climate with tax breaks
- Helping restore the Port of New Orleans
- Fixing the Stafford Act
- Ensuring our Federal City plan is enacted

- and bringing our airport and other transit systems back to pre-Katrina levels

I want to thank you again for allowing me to be here with you today. I am confident that by working together, we can achieve a common vision: a vibrant New Orleans with a thriving economy, prosperous citizens, and the chance to once again contribute to our great nation. Thank you.